



**MINUTES
PUBLIC MEETING**

May 16, 2019

9:00 a.m.

Indiana Government Center South, Room 14

I. Call to Order/Roll Call

State Auditor Tera Klutz called the meeting to order at 9:00 a.m. Committee members present were Lisa Acobert (Appointee, Board of Finance), Zac Jackson (Appointee, Governor), Dan Bastin (Appointee, Board of Finance), and Mike Frick (Appointee, Treasurer of State). Also present were Staci Schneider (Chief of Staff to the Auditor of State) and Vicky Hunt (Auditor of State); Mike Paton (Barnes & Thornburg, Counsel to the Committee and the Administrator); Ann Mahrtdt (Empower Retirement, Third Party Administrator to the Plans); and, Tiffany Spudich and Bob Pelkey (Capital Cities, L.L.C., Investment Consultant to the Committee).

II. Live-Streaming Disclaimer

The meeting was live-streamed. Mr. Pelkey provided the live-streaming disclaimer.

III. Reading of the Minutes

State Auditor Tera Klutz asked for a motion to approve the minutes from the February 21, 2019 meeting. **Mr. Frick moved to approve the minutes. Mr. Jackson seconded. The minutes were unanimously approved.**

IV. Administrator's Report

Ms. Schneider discussed participant outreach efforts, including a successful recent open house in Hendricks County.

V. Investment Consultant Report

Market Review

Tiffany Spudich, from Capital Cities, presented the first quarter market overview. Ms. Spudich noted that, led by risk assets, global markets rallied back from the lows experienced during the fourth quarter. All asset classes ended the quarter with positive returns. In equity markets, Growth outperformed Value and Small Cap outperformed Large Cap. Small Cap Growth (+17.1%) was the best performing sector. Domestic stocks outperformed foreign stocks, with all styles of domestic equity generating positive double digit returns. Developed and Emerging Market stocks returned just shy of 10.0% returns for the quarter. All domestic equity styles are now displaying positive returns over the last one-year period, while foreign

equities remain negative. Turning to fixed income, returns were positive across all styles. The Federal Reserve held rates flat during the quarter. The Bloomberg Barclays Aggregate Bond Index displayed a positive 2.9% for the first quarter. Domestic broad styles of fixed income are all positive over the last one-year time period, while foreign bonds remain negative.

1Q19 Performance & Evaluation Report

Ms. Spudich presented the 1Q19 Performance & Evaluation Report to the Committee. As part of the discussion, Ms. Spudich highlighted the recent and upcoming changes to the Plans. During the November meeting, SSgA was selected by the Committee as the Plans' passive provider (Stand-Alone Options: S&P 500 Index, US Small/Mid Cap, US TIPS; Underlying Target Date Funds' Components: Total US Stock Market, Total Non-US Stock Market), with the exception of the Vanguard Social Index Fund. The total estimated annual investment management fee savings is \$79k. The Committee also elected to terminate the active equity component (Putnam and Epoch) of the Plans' custom Target Date Funds. These changes occurred on March 8th.

During the August 2018 meeting, the Committee elected to issue a Broad Agency Announcement for Target Date Funds, in order to evaluate the Plans' custom Target Date Funds' approach relative to off-the-shelf providers. As a result of the findings, the Committee selected State Street Target Retirement Funds to replace the custom Indiana Target Date Funds, during the February 21st meeting. Ms. Spudich explained that the transition to the State Street Target Retirement Funds is set to occur in early September.

In addition, Ms. Spudich noted the upcoming changes to the Indiana Stable Value Fund. Capital Cities has been working with Logan Circle (Global Wrap Manager) of the Indiana Stable Value Fund regarding the potential to reduce fees and increase investment flexibility given the improvements in the stable value environment. A 12-month put has been placed with Fidelity for a September 1, 2019 effective date, to decrease the allocation 15 percentage points from Tier II (Fidelity MIP II) to Tier III (Logan Intermediate), as previously approved by the Committee. The crediting rate increased from 1.930% on December 1, 2018 to 2.55% on April 1, 2019, given the wrap provider negotiations and current rate environment. The total expense of the Indiana Stable Value Fund also decreased from 42 bps to 32 bps.

Total assets in the Plans stood at \$1.3 billion as of the end of the first quarter. A summary qualitative and quantitative review ("stoplight grid") of each of the investment options was also provided to the Committee.

Target Date Funds

As requested by the Committee, Ms. Spudich provided a report on the Target Date Funds' utilization among the Plans' participants. Overall, it appears the majority of participants are allocating to the Target Date Funds correctly; however, the topic will be further explored again in the future following the upcoming Target Date Funds' transition to the State Street Target Retirement Funds.

Ms. Spudich and Ms. Schneider also gave the Committee the sample participant communication pieces, that have been prepared by Empower and State Street, for the upcoming Target Date Funds' transition.

Investment Policy Statement

Ms. Spudich provided a review of the Plans' Investment Policy Statement (IPS). The IPS was amended in light of investment menu changes and the upcoming Indiana Stable Value Fund restructuring. The Appendices of the IPS were also updated. The Amended IPS is slated to be adopted at the August Committee meeting.

VI. Old Business

None.

VII. New Business

None.

VIII. Adjournment

There being no further business before the Committee, the meeting was adjourned at 9:33 a.m. **Mr. Jackson motioned for adjournment. Mr. Frick seconded the motion.** The next quarterly meeting is August 15, 2019 at 9:00 a.m.